

FINDING PEOPLE

A Risk Management View of Hiring

THE
Productivity
Project —



CANADAWEST
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THE PROBLEM

For much of the 20th century, when competitive advantage was rooted in the ability to extract, process, and distribute goods, a region's economic strength was closely tied to its access to natural resources and its proximity to key trade routes. However, in today's knowledge economy, a region's human capital, the collective skills, knowledge, experiences, and attributes of its people, has emerged as the most critical driver of regional innovation, productivity, and economic resilience.

Converging forces, including technological disruption, demographic shifts, and changing societal values, are reshaping the nature of work in ways that current talent development and acquisition systems are ill-equipped to manage. Many competencies, the skills, knowledge and attributes required to complete the tasks of life and work, become obsolete within a few years, while entirely new ones emerge.

An overwhelming 91 percent of hiring managers acknowledge the importance of competency-based recruitment for long-term performance. However, nearly three-quarters of them report low confidence in their ability to identify, assess, or develop the competencies their organizations need. Most employers struggle to

define the specific competencies required for each role or to evaluate whether skills gained in one industry context translate to another.

In this environment of rapidly evolving labour market needs, the proxies for competence, including academic credentials, industry certifications, and prior experience, traditionally used by employers often fail to predict actual job performance. Tools such as unstructured interviews and professional references attempt to compensate but have also proved to be unreliable.

Hiring is a risky business. Employers are becoming increasingly uncertain about the value of qualifications, hesitant to adopt competency-based hiring practices, and growing more unsure about the competencies they need to hire for tomorrow. The situation is a significant challenge that affects competitiveness and productivity.

90%

of positions from the
1940s–1980s were
filled internally

30%

of positions today are
filled internally

THE SOLUTION

Every new hire presents a risk for the employer. The solution is to de-risk the hiring process through the verification of candidate profiles. Effective verification of learning and development, certifications, work experience, and competencies will protect both employers and candidates by ensuring accuracy and transparency.

This report proposes modernizing the fragmented and ad hoc competency verification system to improve transparency, accuracy, and trust in talent decisions. At the heart of this solution is the concept of a labour market passport that would enable candidates to present a validated profile of their abilities, providing employers with a more accurate foundation for hiring decisions. The labour market passport will provide real-time, verified competency data that keeps pace with the changing nature of work. This tool is not just an improvement on the existing ad hoc system of assessing candidates – it is a competitive necessity.

80%

of occupations in Canada
are unregulated

4%

of hiring managers consider
third-party credentials,
such as digital badges

50+

third-party certifications
are available to
marketing professionals

THE RISK

Verification of a candidate's claimed competencies is complex and should be based on a competency framework developed for the specific job and the individual employer. Currently, only an estimated 20 percent of occupations, mostly in the professions and skilled trades, have a clear, standard competency framework to which employers can verify the competencies of their job candidates.

As a result, employers resort to an ad hoc system of measurement, with varying levels of legitimacy, when they evaluate a candidate's qualifications for a job. However, these assessments often stem from subjective impressions rather than objective verification. Past experiences with an institution's graduates, reputational rankings, or industry conventions may influence hiring decisions. This transforms what should be an evidence-based evaluation into a social filtering process that prioritizes institutional pedigree over demonstrated capability. It can exclude capable candidates who lack traditional credentials but possess the needed competencies and overlook competent candidates with less favoured backgrounds.

In this ad hoc system, where possible, employers will depend on licenses granted by occupational regulatory bodies or certificates that have met industry standards. However, even these external qualifications will need some internal validation. That is why many employers use a probationary period or hire on a contingency basis, which enables them to verify competencies in authentic work environments.

For much of the 20th century, the ad hoc verification approach sufficed in occupationally stable labour markets. However, a volatile labour market exposes significant deficiencies in the ad hoc approach, which increases risk for employers. The approach is inefficient; it is subject to fragmentation and reductions in standards, and it reinforces systemic inequality.

THE OPPORTUNITY

The transition from an ad hoc approach to competency claim verification represents one of the most pressing challenges facing the labour market. In recent years, diverse stakeholders across the human capital ecosystem worldwide, including UNESCO, the European Union, and IBM, have developed and deployed variants on a “passport” model. Like a traditional passport, a labour market passport provides a single trusted platform to signal legitimacy. The first step in establishing a labour market passport is to define the core system-level design principles.

PRINCIPLE 1: DYNAMIC

The labour market passport must be dynamic to reflect the diversity of occupations, claimants, and evidence. Moreover, the labour market passport needs to embed a level of interjurisdictional and occupational portability.

PRINCIPLE 2: VERIFIED COMPETENCIES

Introducing a labour market passport is not about developing a more efficient process for verifying competency proxies, but rather, a more efficient process for verifying competency claims. To be helpful to employers, a labour market passport needs to follow a rigorous path to verify the competencies of job seekers.

PRINCIPLE 3: HARMONIZED FRAMEWORK

A labour market passport system requires a harmonized competency framework, with standardized taxonomies, definitions, and measures. This competency framework would be used by regional stakeholders, including employers, learning providers, and credentialing bodies, to allow for consistent terminology in job postings, learning outcomes, and credential verification.

Importantly, this regional framework should integrate with, rather than replace, existing professional and industry-specific competency systems. A practical alternative to establishing a

single, harmonized competency framework may be to explore technical approaches that bridge existing systems while preserving their structures.

A logical starting point is to establish a harmonized framework for enabling competencies, variously labelled as soft skills, transferable skills, or meta-skills, which constitute roughly 60 percent of the work-based competencies.

PRINCIPLE 4: DECENTRALIZED

A labour market passport must be decentralized, meaning that the claimant (not an institution) owns the verification of their competencies and controls the sharing of it (referred to as “self-sovereignty”). Claimant control removes the third-party dependency that contributes to inconsistency and inefficiency today. One possible approach to decentralization is using blockchain technology.

PRINCIPLE 5: OPEN PLATFORM

The technology platform hosting the labour market passport must be open, so verifying competencies and achievements becomes seamlessly transferable across platforms and organizations. This is essential for providing individuals with autonomous control over their portable digital credentials, significantly diverging from institution-centric verification models.

PRINCIPLE 6: COORDINATION

Successful implementation of a labour market passport requires that:

- Learning providers align their programs and learning outcomes to the harmonized framework.
- Employers align their hiring practices to the labour market passport.
- Candidates adopt the labour market passport on a large scale.
- Policymakers establish the conditions for incentivizing stakeholders to adopt and maintain the currency of the labour market passport.

A human capital ecosystem backbone would optimize ecosystem-level coordination. Ecosystem backbones are entities that educate, foster trust, provide a space for challenging discussions, support members’ efforts, and ultimately empower them to act as change agents. The backbone would incorporate an ecosystem governance mandate.

THE PATH FORWARD

Labour markets can evolve into more inclusive ecosystems that recognize competencies irrespective of their acquisition context, creating opportunities for diverse talent pools while addressing contemporary workforce challenges. As labour markets grow in response to technological and demographic shifts, jurisdictions which implement a labour market passport will gain significant competitive advantages in talent acquisition and retention. For these labour markets, the inefficiencies evident in the current rate of poor hiring outcomes will be lessened, and the risk from the lack of verified competencies incurred every time an employer hires a new employee will be removed.

25%

of hiring managers in small businesses are satisfied with their recruitment process

40%

of university graduates in Canada work in roles that don't require a degrees

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