

Quick Guide

REVOLVING DOOR

EXCHANGES OF PEOPLE BETWEEN BUSINESS AND THE PUBLIC SECTOR

Movements and exchanges of people between business and the political and public sectors are a legitimate way for the public and private sectors to build and access skills and knowledge.

Such movements can also facilitate understanding and cooperation. These movements can also be used to further the lobbying aims of companies but, if not managed to acceptable criteria and transparency, run risks of public distrust, scandal or even improper engagement.

The main forms of such movements are described below. They are not limited to moves between the public sector and the company directly but also include moves of a politician or public official to a consultant lobbyist position or to a professional firm advising a company.

Forms of exchange

- Revolving door
- Board appointments
- Appointments to government or public office
- Secondments
- Short-term assignments to gain experience of another sector.
- Consultancy services by politicians.

The revolving door

The term 'revolving door' refers to the movement of high-level employees between the public and private sectors. These movements can be in either direction and they bring risks of improper access or influence, whether intentional or inadvertent. Movements tend to be from the public sector to the private sector. But in the USA, it is common for private sector leaders to enter the executive and later return to the private sector. In the UK, all public agencies and government departments must have a board similar to the board of a company and these include nonexecutive directors mostly drawn from the private sector.

Movements in either direction should be managed by companies within the wider framework of policies and procedures for political engagement.

Movements are two-way

Public office to the private sector: Politicians, legislators, regulators, public officials or political advisers become directors, employees, lobbyists or consultants for the industries they once acted as policy makers or regulators, or otherwise contracted with.

Private sector to public office: Private sector leaders or specialists are appointed to government, a regulatory body or political party (e.g. as a special adviser). Appointments to full-time senior civil service positions from the private sector can also be significant.

Career movements: A natural process of career movement whereby people take up positions at various times in government and the public and private sectors.

RISKS OF THE REVOLVING DOOR

Ministers and public officials while in office: Favour the company, with a view to future employment

Former politicians and public officials who have accepted employment in a company: Influence their former colleagues to make decisions that favour the public policy positions of their new employer. Use confidential information to benefit their new employers. Trade in influence by providing introductions to and favours from their former contacts.

Directors or employees who move to public office from a company: Favour their previous employer. Allow the lobbying agenda of their previous private sector employer to influence their government work. Bring insider information with them if they return to their former company.

In light of these risks, governments have sought to regulate the revolving door in several ways:

- **Employment cooling-off period:** A cooling-off period is a time-limited restriction on the ability of former public officials to accept employment in the private sector.

- **Restrictions on negotiating private sector employment:** The USA requires senior officers and employees in the federal government to report any ongoing negotiations for subsequent private sector employment to their ethics offices and to recuse themselves from any governmental matter for which such negotiations may create a conflict of interest.
- **Post-employment scrutiny:** Monitoring of post-employment behaviour and sanctions to check they comply with the law and sanctioning of non-compliance.
- **Restrictions on high-risk roles:** Restrictions on specific jobs or activities where risks of improper influence are high. Restrictions are usually on lobbying but can also apply to procurement and, in the USA, roles such as bank examiners.
- **Lobbying:** In the UK, ministers are banned from engaging in lobbying activities for two years after leaving office. The USA has a range of restrictions on federal employees including a lifetime ban on a former federal official representing a private party on the same 'particular matter', involving identified parties, on which they had worked personally and substantially for the government.
- **Procurement:** Procurement personnel in US federal agencies are not only limited in their post-employment representational or lobbying activities after leaving government service, but they are also prohibited from receiving compensation from certain private contractors for a period of time after being responsible for procurement on certain large contracts as government officials.
- **Disclosure:** Requiring public disclosure where former public officials are engaged in lobbying.

A rigid limit for a cooling-off period must necessarily be a blunt instrument as the potential for risk of abuse varies according to factors such as the life span of a public policy issue, intellectual property and contacts held by the individual. The risk attached to a move also varies according to factors such as the seniority and role the individual held before the move, the nature of their new responsibilities, the rate at which the value of knowledge and contracts will diminish over time, and the extent to which the public or political process is vulnerable to the improper use of influence.

Companies should ensure they have policies and procedures for appointing or using former politicians and public officials. The procedures can cover negotiations before an official leaves office and controls for potential conflicts of interest once they take up their appointment with the company, or with a third party acting on the

company's behalf such as a lobbying firm.

These controls include setting the scope of work for the former public official so that it prevents any conflict of interest for the new employee or board member.

The company should also consider how it manages potential conflicts of interest related to employees or board members moving to public or elected office. The company should ensure that it is not at risk of using - or being perceived as using - its former employee or board member to gain improper access or influence.

SECONDMENTS

Secondments are another area which the company should consider in its policies for political engagement.

Secondments are temporary placements of managers or employees in another organisation and can be two-way between the public and private sectors. Their benefits include the training and development of people, providing essential technical and specialist skills for a particular project or providing resources to expedite completion of a project or programme of activity. Short-term assignments are used to give parliamentarians or business people an understanding of how the other sector works.

In the UK, exchanges are facilitated by The Whitehall and Industry Group (civil servants) and The Industry and Parliament Trust (parliamentarians). The risks are that secondments can be seen as allowing improper influence or placing secondees in a position where there is a potential conflict of interest, such as designing specifications for contract tenders.

In some countries elected politicians are permitted to sit on boards or receive fees for consultancy work as long as it is declared and does not involve lobbying. Board appointments or consultancies for elected officials clearly present significant risks of conflict of interest which require careful management.

For further information, see the [Transparency International Guide Wise Counsel or Dark Arts? Principles and guidance for responsible corporate political engagement, 2015](#)