

Dear Dr. Géza Tóth  
Editor-in-Chief of Regional Statistics,

We are pleased to submit original research article entitled “Convergence in regional wage: new evidence from Indonesian provinces” for possible publication in the Regional Statistics.

Similar to the study of González (2020) published in Regional Statistics, in this paper, we use a novel dataset to evaluate wage convergence across 34 provinces in Indonesia. While González (2020) evaluates convergence in price across regions of Argentina, in the first part of analysis of this paper, we test the hypothesis that wage across Indonesian provinces is converging to a common steady-state path. By applying non-linear dynamic factor model of Phillips and Sul (2007) on average net income per month of employee and laborer data in 34 provinces over the 2008-2020 period, we were able to reject this hypothesis and found evidence of three significant club convergence. In the second part, we extend the analysis by evaluating conditioning factors of club convergence, similar to Bartkowska & Riedl (2012). By employing ordered logit model, we found that initial level of wage, share of employment on manufacturing sector, investment share to GDP and labor force participation rate influence the club convergence formation. These results are consistent with both club convergence and classical convergence hypotheses.

With these extensive analyses and well documented new evidences, we believe this study would largely contribute to recently growing literature that discuss regional convergence in developing countries. As a whole, we believe all information and findings within this manuscript provides new insights to readers (including policymakers) who are interested in studying regional economic convergence.

Finally, we confirm that this work is original and has not been published elsewhere, nor is it currently under consideration for publication elsewhere. We also have no conflicts of interest to disclose.

Thank you very much for your consideration of this manuscript.

Sincerely,

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