(Mis)perceptions about children [*]

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October 12, 2023[‡]

Abstract

Policymakers, schools, and parents rely on teachers' assessments of child development to inform decisions about investments in children. I show that teachers' perceptions of children's developmental delays are biased and depend systematically on the average development level of other children in the neighbourhood. I quantify the magnitude of the reference bias in teachers' assessments of non-cognitive and cognitive skills using objective measures of socio-emotional skills and language development, evaluated by psychologist-trained interviewers in the Longitudinal Study of Australian Children. I estimate a measurement system of teachers' recognition of children's deficits as a function of children's measured development and neighbourhood average development levels, and I show that teachers in neighbourhoods with lower average levels of socio-emotional development are less likely to accurately recognize deficits across both cognitive and non-cognitive dimensions of child development. Further, maternal perceptions of their children's socio-emotional development are influenced by the information about deficits that teachers convey. Teachers' misperceptions affect investment in remedial services including children's learning and behavioural therapy, and tutoring, as well as parental attitudes toward their children. Finally, I show that teachers' education ameliorates the bias and improves the ability of teachers to identify children with deficits.

[*]I would like to express my gratitude to Audra Bowlus, Lance Lochner, and Sergio Ocampo Diaz, for their guidance and support. I am thankful to Rory McGee, Nirav Mehta, and the participants of the AMM Reading Group for their excellent advice. All errors are my own.

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[‡]The most recent version of this paper is available here.

1 Introduction

Correctly identifying developmental deficits is important for schools and families when they make decisions to invest in children's development, from parenting time and reading with the child to hiring professional help like tutors (Kinsler and Pavan, 2021, Dizon-Ross, 2019). Because of this, biased perceptions of child development may lead to suboptimal investment strategies and disrupt healthy child development. In the search for information about children's progress families and school officials commonly rely on teachers' professional judgements. The teachers' role is particularly important in the area of non-cognitive (socio-emotional) development, where the results of nationwide standardized tests are usually not available to complement teachers' reports.

I show that teachers' assessments of child development are biased and depend systematically on the average level of socio-emotional development of other children in the neighbourhood. Teachers of children who live in neighbourhoods with low average levels of socio-emotional development are less likely to identify deficits in the socio-emotional and receptive language dimensions of development. I show that these misperceptions have a cascading effect on parental perceptions of children and children's home and school environments. Teachers' recognition of developmental deficits affects mothers' perceptions about their children. In turn, these perceptions impact children's use of therapy services and family investments in children, including tutoring, parenting styles, and aspirations.

Quantifying the bias in teachers' assessments requires objective measures of child development available for a representative sample of children. For cognitive or academic skills, measures based on standardized tests are widely available and have been used to quantify the reference bias in teachers' and parental reports (Kinsler and Pavan, 2021, Elder and Zhou, 2021).[4] In contrast to cognitive skills, bias in teachers' assessment of non-cognitive skills and their role in children's lives has not been estimated due to the lack of objective measures.[5] At the same time, non-

[4]While suffering from important limitations like the strong association with students' effort during testing (Zamarro, Hitt, and Mendez, 2019) or the reinforcement of unequal opportunities (Reeves and Halikias, 2017), test scores provide an objective measure of children's positions in the distribution of cognitive skills for similar-aged children.

[5]Elder and Zhou (2021) aim to quantify the potential reference bias in teachers' reports of non-cognitive skills,

cognitive skills have been shown to be of paramount importance for children's dynamic skill accumulation and life outcomes (Edin, Fredriksson, Nybom, and Öckert, 2022, Cunha, Heckman, and Schennach, 2010, Deming, 2022).

I overcome this challenge by using direct observations from psychologist-trained interviewers who evaluate children's behaviour during face-to-face interviews for the Longitudinal Study of Australian Children (LSAC), a nationally representative survey of 10,000 children following a kindergarten (age 4-5) cohort and a baby (age 0-1) cohort of children biennially starting from 2004. These observations provide objective measures of children's non-cognitive skills in addition to measures of cognitive skills based on language tests that are also available in the dataset. To quantify the reference group bias in teachers' perceptions of non-cognitive and cognitive skills, I estimate a measurement system of teachers' deficit recognition allowing it to depend both on children's individual development and on the average level of child development in the neighbourhood.

I use teachers' evaluations of delays in children's receptive language and socio-emotional development relative to other children of a similar age as measures of teachers' perceptions. I show that teachers in neighbourhoods where kids, on average, have lower objective measures of socio-motional development are less likely to recognize socio-emotional and receptive language deficits in children. Specifically, teachers in neighbourhoods at the bottom quartile of average children's socio-emotional development are equally likely to report delays in socio-emotional development compared to teachers in top-quartile neighbourhoods, while they would be up to 16 percentage points more likely to report delays in socio-emotional development if their assessment was free from the reference group bias. This finding has important implications for governments aiming to identify disadvantaged areas based on nationwide teacher evaluation statistics like the Australian Early Development Census as the prevalence of child developmental deficits is underestimated in disadvantaged and overestimated in advantaged areas.

I also explore the role of teachers' education and experience in the identification of developmental deficits as in studies exploring the impact of teachers' qualifications on students' out-

but in the absence of objective measures they rely on restrictive assumptions about the unobserved distribution of non-cognitive skills or the magnitude of the reference bias.

comes (Chetty, Friedman, Hilger, Saez, Schanzenbach, and Yagan, 2011,Goldhaber and Brewer, 2000, Hanushek, 2011). I find that teachers' judgement about children's developmental delays does not improve with the teaching experience. However, more educated teachers have a higher probability of correctly identifying developmental deficits in children. Teachers with a university degree are 6 percentage points more likely to correctly identify delays in both socio-emotional and receptive language development compared to teachers without tertiary education, which implies that the reference group bias can be ameliorated by better information and training.

I also show that mothers update their perceptions when teachers inform them about socio-emotional deficits in children. While the role of schools in mothers' perceptions about children's academic progress has been studied in the literature (Dizon-Ross, 2019, Doss, Fahle, Loeb, and York, 2019), the relationship between teachers' and mothers' perceptions about non-cognitive skills is less understood. I use information contained in the LSAC about mothers being contacted by schools about children's behavioural problems to quantify the effect of teachers' deficit identification on mothers. Being contacted by the school increases the probability that mothers perceive the child to have socio-emotional delays by almost 12 percentage points.

Moreover, the recognition of children's socio-emotional delays by mothers affects family investment decisions. I estimate value-added regressions of family investment choices on maternal deficit recognition accounting for the persistence in maternal perceptions and investment. I show that changes to maternal perceptions alter parental attitudes and expectations about children, with mothers who recognize children's deficits engaging in more angry and less warm parenting and having lower educational aspirations for their children. My paper, therefore, adds to the broader literature on the relationship between parental perceptions and parental investment decisions (Boneva and Rauh, 2018, Kiessling, 2021, Attanasio, Cunha, and Jervis, 2019), which has explored differences in beliefs about returns to various types of parental investments and actual investment choices. Instead, my paper focuses on the assessment of child development and its role in family investments and child outcomes.

Finally, I show that the identification of developmental delays in children by teachers and mothers determines whether children take advantage of therapy directed at non-cognitive or cognitive skills. In my data, teachers and mothers report whether children use school or community

services like behavioural therapy or psychological evaluation, as well as speech and learning therapy. I estimate a linear probability model of the therapy uptake by children on the indicators for deficit recognition by teachers and mothers. Children whose teachers identify socio-emotional delays are 7 percentage points more likely to use behavioural therapy or undergo a psychological evaluation. They are also 7 percentage points more likely to use learning or speech therapy. Deficit recognition by mothers is also associated with a higher use of tutoring.

Overall, recognizing deficits in children induces parents and teachers to reach out for professional help for their children. Because of this, is possible that underestimation of skill deficits in neighbourhoods with low average development levels can lead to the reinforcement of skill gaps between advantaged and disadvantaged areas through gaps in investments in children. My work sheds light on sources of differences in child environment across parental socioeconomic status (SES) and the role of neighbourhoods. I emphasize the role of neighbourhood-related information frictions in explaining differences in parental behaviour in addition to other factors including resource constraints, preferences, and differences in perceptions about returns to investment that have been shown to be related to the gaps in parental investment across the SES and neighbourhoods (Attanasio, Cattan, and Meghir, 2022, Falk, Kosse, Pinger, Schildberg-Hörisch, and Deckers, 2021,Chetty, Hendren, and Katz, 2016).

2 Data

The data for this project come from the LSAC, a national study of children in Australia that tracks childhood environments, development, and life course trajectories. The survey commenced in 2004 with participating families interviewed once every two years. It follows the development of two cohorts of children: the baby cohort (B-cohort), which includes 5107 children aged 0-1 in 2003-2004, and the kindergarten cohort (K-cohort) which follows 4983 children aged 4-5 in 2004.

The survey has four qualities that allow me to investigate the size and impact of teachers' reference group bias. First, it contains a rich set of objective child development measures that can be matched to the assessments by teachers and parents. Second, the sample is clustered at the neighbourhood level, which allows me to construct a measure of the local environment by match-

ing children from the same neighbourhood. Third, it tracks the dynamics of multiple measures related to children's home and school environments. Finally, the survey collects a comprehensive set of information about family demographic and educational composition, family income, labour market outcomes, and neighbourhood characteristics.

2.1 Measures of child development

The survey collects information about child development from three sources: interviewers observing children during face-to-face surveys, teachers, and parents. First, trained interviewers use tests and direct observations to assess children's cognitive development and socio-emotional development. Second, children's teachers are invited to evaluate children's progress and their classroom environment. Finally, children's primary caregivers, mainly mothers, are asked to evaluate children's development and environment during face-to-face interviews. The interviewers' assessments provide objective measures of child development that are independent from the reference bias. Combined with subjective assessments of child development from teachers, and objective measures of skills for other children in the same neighbourhoods, these measures allow me to identify the effects of a given child's development, and the development of other children in a neighbourhood, on teachers' assessments.

I use the interviewers' evaluations of the children's behaviour during the in-person household visit as a measure of the children's non-cognitive skills. The face-to-face part of the interview lasts 1 - 2.5 hours with and without the parent present, giving the interviewer a chance to observe the child during a variety of interactions. The interviewer evaluates the children's behaviour across three dimensions: negative behaviour, focus during the cognitive test, and positive behaviour. The negative behaviour includes fussing, pouting, whining, crying, and vocal/physical expression of anger. Persistent loss of temper and aggressive behaviour are the symptoms of disruptive behaviour disorders in children.[6] The second dimension is the degree to which the child was able to sustain an interest in cognitive tasks. According to the Australian Psychological Society, difficulty concentrating and staying focused is the main symptom of ADHD in

[6]See Centers for Disease Control and Prevention https://www.cdc.gov/ncbddd/adhd/conditions.html

young children. The third dimension is positive behaviour by the child, which includes smiling, laughing, or sounding excited, happy, or pleased.

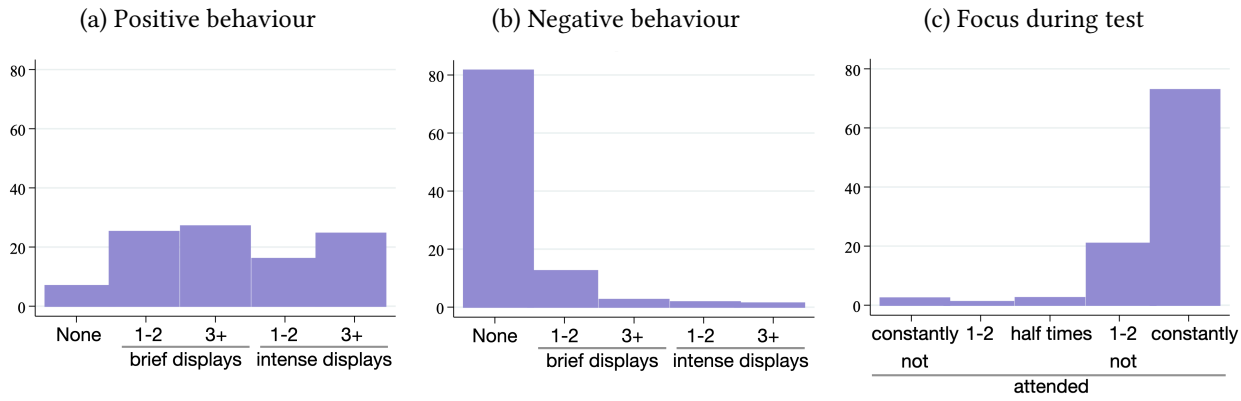
These measures have three advantages compared to the assessments used in the previous research (Cunha, Heckman, and Schennach, 2010,Agostinelli and Wiswall, 2016, Chaparro, Sojourner, and Wiswall, 2020). First, all interviewers were trained by psychologists to conduct the evaluations consistently and went through practice interviews with parents and children. Second, interviewers relied on an objective scale to count the number of times and intensity of the children's behaviour. For example, the interviewers choose from 5 options while evaluating the children's negative or positive behaviour: none displayed, 1-2 brief displays, 3 or more brief displays, 1-2 intense, heightened or prolonged displays, 3 or more intense, heightened or prolonged displays.[7] Finally, the interviewer's evaluations of the children's behaviour did not add to the time or cost of the interview since the children were not asked to go through any additional testing. The design of the interviewers' evaluation of the children's behaviour in LSAC, therefore, allows for large-scale direct evaluation.[8]

I summarize the children's behaviour during the interview with the first principal component of the three age-standardized objective behaviour measures. I age-standardize the measure of the children's behaviour during the interview to make it comparable in scale to other skill measures used in the analysis. This measure of child behaviour allows me to measure the strength of negative behaviours in children in the lower part of the non-cognitive skills distribution and to what extent negative behaviours are prevalent in neighbourhoods. Figure 1 illustrates the distribution of the interviewers' responses when children were 4-5 years old. While children's positive behaviour varied a lot between children, 62 percent of children were both constantly focused during the interview and did not show any negative behaviours, with the remaining children showing some signs of a lack of concentration or temper problems. Figure A.1 shows that the distribution of the interview behaviour measure is skewed to the right, with a large number of

[7]The 5 options for the degree of children's focus include: Constantly did not pay attention; Typically did not pay attention, attended in 1-2 instances; Did not pay attention half the time; Typically paid attention, but attention wandered in 1-2 instances; Constantly paid attention/concentrated.

[8]By contrast, evaluations of non-cognitive skills by psychologists who directly observe children are less common in large-scale survey datasets, as these types of evaluations are often more resource-intensive and time-consuming.

Figure 1: Behaviour during the interview at ages 4-5



Notes: The figure displays histograms of the interviewer's records evaluating behaviours of children ages 4-5 during the interview. Panel a) records the degree of positive response from the child, where the positive response includes smiling, laughing, or sounding excited, happy or pleased. Panel b) records the degree of negative response from the child, where the negative response includes fussing, pouting, whining, crying and vocal or physical expression of anger. Panel c) records the degree of the child's focus during the PPVT cognitive test.

children receiving maximum or near-maximum scores and a long left tail with children showing negative behaviours with varying degrees of frequency and intensity.

The receptive language dimension of cognitive skills is measured during the interview by the short form of the Peabody Picture Vocabulary Test (PPVT). It is a standard age-adapted measure of children's receptive vocabulary and knowledge of spoken words. This test is commonly used in the literature as a measure of children's cognitive skills (Fiorini and Keane, 2014, Nicoletti and Tonei, 2020). Another measure of cognitive skills that is available in the survey is the Who Am I assessment (WAI) which is used for children aged 4–5 to measure the general cognitive abilities needed for beginning school. This measure tests receptive and expressive language and numeric abilities. I will use it as an instrument to address the measurement error problem in the PPVT measure.

A common critique of standardized tests of cognition is that they provide context-dependent measures of children's academic abilities. They depend on students' effort, motivation, test-taking

abilities, and a range of other factors (Heckman and Kautz, 2012). The measure of children's non-cognitive skills obtained from a limited set of interactions between interviewers and children is likely to have similar limitations. By contrast, teachers' assessments are enriched by teachers interacting with children in multiple environments and learning about children's history, family, and community. While it is unlikely that the interview scores capture all the relevant information about children's development, they provide measures of behaviour and cognition that are both independent of local environments and reflect variation in children's skills that is relevant for future outcomes.[9] Therefore, in spite of having limitations, these measures are well-suited to explore the properties of teachers' perceptions.

2.2 Measures of perceptions about child development

An important advantage of the LSAC survey is the availability of teachers' evaluations of children's developmental deficits. When children are 4-5 years old, teachers' beliefs about a child's skill relative to children of the same age are elicited through the teachers' questionnaire. Teachers are asked to evaluate the child's developmental level compared to other children of a similar age in several dimensions, including socio-emotional development (e.g. adaptability, cooperation, responsibility, self-control) and receptive language ability (e.g. understanding, interpreting, and listening).[10] These perceptions correspond to the same dimensions of child development that are measured by the interviewer, which allows me to match the measured dimension of development to teachers' evaluations of it and quantify the degree of bias in teachers' assessments. The results of the assessments and test scores performed during the interviews are unknown to teachers or parents. Teachers can rank the child as much more competent than others, as competent as other children, less competent than others, and much less competent than others. I construct a binary variable for the teacher indicating developmental delay in a particular dimension of the child's skills if the teacher responds that the child is less or much less competent than other children in

[9] For example, children's receptive language and behaviour scores at ages 4-5 are associated with a lower likelihood of children repeating a grade by the age 12-13 and higher Grade 9 national test scores in reading and numeracy (see Appendix D).

[10] The exact question is "Rate how this child was compared with other children of a similar age, over the past few months."

that dimension. Only 15 percent of teachers indicate deficits in children's receptive language development and over 20 percent of teachers indicate deficits in children's emotional development (see Appendix Table A.1).

The survey also collects mothers' perceptions about delays in their children's socio-emotional development. Mothers are asked to evaluate whether the child is more difficult compared to other children of similar age. Mothers can respond that the child is easier than average, about average, or more difficult than average. I assess whether mothers can identify socio-emotional developmental delays in their children if they perceive their child as more difficult compared to other children of similar age. Only 7 percent of mothers consider their child to have a delay in socio-emotional development (see Appendix Table A.1).

Importantly, measures of teachers' and mothers' perceptions evaluate their beliefs about children's development relative to the whole population of similar-aged children. Deficit identification by mothers and teachers, therefore, should involve a comparison of children's behaviour and receptive language relative to age-specific developmental milestones, as perceived by teachers and mothers, but not a comparison relative to children's class or grade level. When asking teachers or mothers to compare children's development against other children in the group, class, or grade level, the questionnaire explicitly provides the reference group.[11] Moreover, Kinsler and Pavan (2021) show that when evaluating cognitive skills mothers respond differently when asked to compare their child against other children of a similar age and other children in their child's class.

An important advantage of the LSAC for exploring the relationship between mothers' and teachers' perceptions is that when children are 8-9 years old, mothers are asked whether the school has contacted them about their children's behaviour within the last 12 months. This indicator allows me to go beyond estimating the potentially bidirectional association between mothers' and teachers' perceptions about children, and evaluate how mother update their beliefs when they are informed by schools about their children's behavioural deficits.

[11]For example, in the same questionnaire teachers' are asked: "During organized physical activities for your group, how does this child compare with other children in the group in terms of the level of physical activity?"

2.3 Measures of school and family investment

I also explore the role of deficit recognition for school and family investments. The survey collects a wide variety of information about the home environment, such as parental and school investment into remedial services like behavioural, speech, and learning therapy, parenting styles, and tutoring. These measures of home and school environment allow me to explore the role of teachers' and mothers' perceptions in choices of inputs that have been shown to matter for child development by previous research (Cunha, Heckman, and Schennach, 2010, Caucutt, Lochner, Mullins, and Park, 2020, Del Boca, Flinn, and Wiswall, 2014, Fiorini and Keane, 2014).

The school- or neighbourhood-based investment includes two types of therapy, one directed at the treatment of cognitive skills (learning or speech therapy), and another directed at the treatment of non-cognitive skills (behavioural or psychological therapy). LSAC asks teachers and mothers whether children have used additional school or community services that can allow children with delays to catch up. I create a binary variable indicating that the child has used the behavioural or psychological therapy if teachers report that the child used behaviour management programs or had a psychological assessment while being in their care or if mothers report that, in the last 12 months, they have used a guidance counsellor or other psychiatric or behavioural services for the child. I create a binary learning or speech therapy variable if teachers or mothers indicate that the child has used speech therapy, or if teachers indicate that the child used learning support while in their care. At ages 4-5, around 4 and 14 percent of children are reported to have received socio-emotional and language therapy, respectively (see Appendix Table A.2).

Family investments include LSAC-constructed scores measuring warmth and anger of mothers' parenting style, weekly tutoring sessions, expectations about children's future educational achievements, and other measures of quality time with household members including the total time, and weekly times household members spent reading, playing, and drawing with the child, etc.[12]

[12]See Appendix A.4 for the summary of family investment measures.

2.4 Measures of the local environment

To measure the local environments of children I exploit the information on current household location, which is available at the postcode level. I use these data as the geographic unit defining their neighbourhood. Crucially, the sampling design of the LSAC survey allows the grouping of children together based on their current postcode.[13] There are a total of 2,644 postcodes in Australia. The sample in the first wave of the survey includes children from 409 postcodes representing all Australian territories with an average of 37 children per postcode. For example, in Sydney and Perth children from 93 and 35 postcodes, respectively, were selected to participate in the survey. The availability of multiple child observations per neighbourhood and the sampling design which is representative of the population of Australian children allows me to compute the neighbourhood development levels within the sample and analyze their roles.

To analyze the effect of the local environment on the identification of child developmental delays, I measure it using the average levels of child socio-emotional and receptive language development in a child's neighbourhood. To quantify the reference bias in teachers' assessments, I need objective measures of average skills across neighbourhoods. I measure neighbourhood socio-emotional development by the average behaviour at the interview, and the neighbourhood receptive language development by the average neighbourhood PPVT score. For each child, I compare children of a similar age in both cohorts living in the same postcode. I construct the average neighbourhood score in two steps. First, I adjust interview development measures by year. For every age group of children, I run a regression of the scores on dummies corresponding to survey years. Second, I use the residuals from this regression to construct the average neighbourhood score if measures for at least 10 children other than the study child were available in a given neighbourhood across both cohorts. The measure, therefore, assumes that the distribution of development levels can shift in a parallel fashion across time.[14]

[13] The sample was selected to be representative of all Australian children in the selected age cohorts. It was drawn using the two-stage stratified sampling procedure, with the first stage including a selection of postcodes to ensure proportional geographic representation for Australian territories, and the second stage - the selection of children from these postcodes.

[14] See Appendix F for the discussion of modifications to the construction of the average neighbourhood development.

3 The role of bias in teachers' perceptions

This section describes a framework in which reference group bias in teachers' perceptions can lead to a cascading effect on the children's environment. Consider a child of age t with a development level D_t. During the interview, this development level is evaluated by a psychologist-trained interviewer who assigns a measure D^I_{it} so that

$$D^I_{it} = D_{it} + \mu^I_{it}, \;\; \text{s.t.} \;\; \mu^I_{it} = \Theta^I_{it} + \epsilon^I_{it}, \tag{1}$$

where μ^I_{it} summarizes potentially unobserved factors that can affect the objective interview measures, ϵ^I_{it} is a mean-zero iid measurement error, and $\Theta^I_{i,t}$ is an idiosyncratic interview day shock which can be correlated across different interview development measures. For example, this shock can capture the effect of the child being distracted or helped by parents during the interview and hence applying little effort during evaluations.

Teachers aim to identify developmental delays in children. To do so, they compare children's development against perceived age-specific developmental benchmarks. If these perceived standards of development are affected by the level of development of other children in the neighbourhood, teachers' deficit recognition depends both on children's development level and on the average development level in the neighbourhood $\bar{D}^N_{it}$. Thus, teachers' perceptions about children's deficits relative to other children of the same age are

$$T_{it} = F^T(D_{it}, \bar{D}^N_{it}, X^T_{it}) + \mu^T_{it}, \;\; \text{s.t.} \;\; \mu^T_{it} = \Theta^T_{it} + \epsilon^T_{i,t}, \tag{2}$$

where X^T_{it} are variables related to children's development and perceptions that are observed by both interviewers and teachers, for example, the household's socioeconomic status (SES). Here, μ^T_{it} summarizes factors unobserved by the interviewer that can affect teachers' perceptions, ϵ^T_i represents an iid error term, and $\Theta^T_{i,t}$ represents elements not captured by interview measures but potentially related to children's or neighbourhood's average development levels and perceptions. If teachers' benchmarks for what constitutes healthy development depend on the local environment $\bar{D}^N_{it}$ in a systematic way, then teachers' evaluations of children's developmental deficits are distorted compared to the objective developmental milestones for the population of children of the same age.

Mothers' perceptions about children's developmental deficits M_{it} depend on children's true development levels and teachers' identification of children's developmental delays

$$M_{it} = F^M(D_{it}, T_{i,t}, X_{it}^M) + \mu_{it}^M, \quad \text{s.t. } \mu_{it}^M = \Theta_{it}^M + \epsilon_{it}^M, \tag{3}$$

where the shifter $\Theta_{i,t}^M$ can include elements of idiosyncratic perceptions of mothers like over-optimism or the lack of involvement. If teachers' assessments are biased, and mothers' perceptions about children are affected by teachers' perceptions, then the bias in teachers' evaluations will be transmitted to mothers.

Teachers' and mothers' perceptions play a critical role in children's environment (Dizon-Ross, 2019). Formally, the school-based investments, $I_{i,t}^S$, are determined by teachers' and mothers' perceptions, while family-based investments, $I_{i,t}^F$, are determined by mothers' perceptions

$$I_{i,t}^S = F^S(M_{it}, T_{it}, X_{it}^S) + \mu_{i,t}^S \text{ s.t. } \mu_{i,t}^S = \Theta_{i,t}^S + \epsilon_{i,t}^S,$$

and

$$I_{i,t}^F = F^F(M_{it}, X_{it}^F) + \mu_{i,t}^F \text{ where } \mu_{i,t}^F = \Theta_{i,t}^F + \epsilon_{i,t}^F.$$

Here, $\Theta_{i,t}^S$ can include idiosyncratic determinants of school investments like the lack of resources and $\Theta_{i,t}^F$ can include unobserved determinants of family investment like habits. If family and school investments depend on how teachers and mothers perceive children's developmental delays, then distortions in perceptions about children have a cascading effect on children's environment, potentially leading to suboptimal investment strategies for children with and without developmental delays. The following sections describe the details of how I perform a reduced form estimation of this model and elaborate on the results.

4 Teachers' perceptions and local environment

Teachers' and mothers' evaluations of children's non-cognitive skills are commonly used to compare the levels of development across different groups of children. For example, in Australia, the Australian Early Development Census surveys teachers of children ages 4-5 across the country to identify communities and institutions that are struggling to promote socio-emotional development in children. Similarly, the research on child development commonly relies on teachers'

or mothers' evaluations to compare levels of non-cognitive skills across children or across time (Attanasio, De Paula, and Toppeta, 2020, Chaparro, Sojourner, and Wiswall, 2020,Fletcher and Wolfe, 2016, Nghiem, Nguyen, Khanam, and Connelly, 2015). Any reference group bias in teachers' assessments is likely to distort these estimated differences in skills. This section quantifies the reference group bias in teachers' evaluations of child development using objective measures of child development and average neighbourhood child development levels.

To see whether teachers in neighbourhoods with lower (higher) levels of child development underestimate (overestimate) developmental deficits in children, I estimate a linear probability regression based on Equation (2). The dependent variable is a binary variable reflecting the teachers' recognition of the child's i developmental deficit, T_{it}, at age t. The child has a measured level of development, D^I_{it}, and the average neighbourhood level of development, $\bar{D}^N_{it}$, then

$$Pr(T_{i,t} = 1) = \beta^{T,N}\bar{D}^N_{i,t} + \beta^{T,D}D^I_{i,t} + \gamma^{T,X}_t X^T_{i,t} + \epsilon_{i,t}, \tag{4}$$

where X^T_i is a vector of control variables included in all specifications, that contains the child's gender, cohort, age in months, and an index for the socioeconomic status (SES) of the household derived in LSAC, calculated as a weighted composite of parental income, education, and occupational prestige (Baker, Sipthorp, and Edwards, 2017).[15]

Table 1 shows the estimates of the linear probability regression specified by Equation (4). Columns (1) and (3) show the results when only the interview measure and the neighbourhood average of the dimension of the development evaluated by teachers are included in the regression. The estimates show that teachers are less likely to indicate delays in the development of children who are further ahead according to the interview assessments, even though they do not observe the interview score for behaviour or receptive language development. Columns (2) and (4) show the results taking into account both dimensions of children's development. Teachers' evaluations of child development in both developmental dimensions are affected by both the children's behaviour and their receptive language development. So, children who are better behaved are

[15]The results are similar if I control for mothers' age, number of siblings, family income, mothers' education, mothers' marital status, and mothers' employment status instead of the indicator for SES. See Appendix F for results with the full set of SES controls. Here I report the more parsimonious specification.

Table 1: Teachers' beliefs and neighbourhood child development levels.

	Emotional deficit		Receptive language deficit	
	(1)	(2)	(3)	(4)
Average postcode behavior	0.079***	0.066***		0.045***
score	(0.019)	(0.019)		(0.016)
Int. behavior score	-0.057***	-0.043***		-0.030***
	(0.006)	(0.007)		(0.006)
Average postcode PPVT		0.025	0.050***	0.042***
		(0.016)	(0.014)	(0.014)
PPVT score		-0.052***	-0.086***	-0.082***
		(0.007)	(0.006)	(0.006)
N	5520	5258	5270	5254

Notes: Linear probability regression. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%.

less likely to be identified as having delays in receptive language, and children who have better language skills are less likely to be identified as having socio-emotional delays.

Most importantly, Table 1 provides evidence that the likelihood that teachers identify developmental delays in children increases with the average level of socio-emotional development in their neighbourhood. This holds for measures of socio-emotional and receptive language deficits. In neighbourhoods where children, on average, behave worse during the interview, teachers overestimate socio-emotional and receptive language development conditional on objective measures of children's skills. Further, the average level of language development in the neighbourhood affects teachers' global perceptions about the children's level of receptive language development, consistent with the findings of Kinsler and Pavan (2021) and Elder and Zhou (2021). However, it does not affect the recognition of socio-emotional developmental delays by teachers.

Columns (2) and (4) of Table 1 also illustrate the limited effect of omitted variable bias on the estimates reported in Columns (1) and (3). This bias can be driven by the Θ_{it}^{T} in Equation (2),

which is potentially unobserved by the interviewer but related both to the children's development and the teachers' assessments. For example, accounting for the children's language development in Column (2) in addition to their socio-emotional development reduces the estimates of the role of children's behavioural measures compared to those reported in Column (1) but not in a statistically significant way.

The estimates reported in Table 1 are based on several assumptions. First, I assume linearity of the functional form $F^T(.)$ in Equation (2). Second, I assume that there are no idiosyncratic interview days shocks or measurement error (Θ^I_{it} or ϵ^I_{it} in Equation (1)) and that the children's true development is measured during the interview. Table 2 shows that relaxing these assumptions does not change the conclusions from Table 1 that teachers' perceptions depend systematically on the average level of development in the neighbourhood. For example, the estimates reported in Columns (2) and (4) of Table 1 are robust to relaxing the assumption of the linearity of $F^T(.)$. Columns (1) and (2) in Table 2 report the average marginal effects of the logistic probability model. The effect of the average neighbourhood socio-emotional development on deficit recognition by teachers remains positive and statistically significant.

The estimates of Equation (1) reported in Table 1 can also be affected by the idiosyncratic shocks to the interview development scores (Θ^I_{it}) described in Equation (1). To control for the potential effect of idiosyncratic shocks in the interview development scores (Θ^I_{it}) on my results I estimate Equation (4) with added controls that proxy for the variation in children's effort during the interview. These controls are available for the Baby cohort in LSAC and include a description of the behaviour of parents and siblings during the cognitive test. I account for indicators of whether the parent and sibling were not present in the room, present at a distance, observed the child, encouraged the child, or interfered with the tests. I also include a measure of children's sleeping problems and a set of indicators for the month of the interview. Finally, I control for children attending daycare (versus kindergarten or preschool), and the age range of the children's group reported by the teacher, to proxy for the relative age effect on the likelihood of the ADHD diagnosis documented in Elder (2010).[16] Columns (3) and (4) in Table 2 show that the effect of these factors on the estimates of both the role of individual behaviour during the interview and

[16]See the summary of additional controls in Appendix A.5.

the average neighbourhood behaviour is small.

The estimates of Equation (1) reported in Table 1 also abstract from the potential measurement error in the interview development scores (ϵ_{it}^{I}) described in Equation (1). The measurement error in independent variables typically biases all estimates of regression coefficients. To explore the role of the measurement error I estimate a TSLS version of the regression in Equation (4) instrumenting the measure of children's focus during the cognitive test with the degrees of positive and negative response during the interview and instrumenting the PPVT score with the WAI score, with all measures age-standardized. Columns (5) and (6) in Table 2 illustrate the results adjusted for the potential measurement error in children's interview assessments. The measurement error has a substantial effect on the estimates, with the bias distorting the estimates of both the children's individual development and the role of the neighbourhood average development levels towards zero. Adjusting for the measurement error reinforces the results for both the effect of the children's individual development and the effect of the average neighbourhood development on the teachers' assessments.

Next, I quantify the implication of the estimated reference group bias in teachers' assessments on estimated development gaps between more- and less-developed areas. To do so, I divide neighbourhoods into quartiles according to the average neighbourhood socio-emotional development levels. Then teachers in the bottom quartile are equally likely to report delays in children's socio-emotional and receptive language development compared to teachers in the top quartile. Adjusting for the reference bias in teachers' assessments according to the estimates reported in Columns (2) and (4) of Table 1 makes teachers from the bottom quartile neighbourhoods 4 percentage points more likely to report delays in children's socio-emotional development and 4 percentage points more likely to report delays in receptive language development compared to teachers from the top quartile. Adjusting for the reference bias in teachers' assessments accounting for the measurement error according to the estimates reported in Columns (5) and (6) of Table 2 increases this gap to 16 percentage points for socio-emotional development and 9.5 percentage points for receptive language development. The reference group bias leads to a substantial underestimation of the actual disparities in development between advantaged and disadvantaged areas.

Table 2: Robustness checks

	Marg. Effect Logit		Extra control		Meas. error adj.	
	(1)	(2)	(3)	(4)	(5)	(6)
	Emotional deficit	Recept. lang. deficit	Emotional deficit	Recept. lang. deficit	Emotional deficit	Recept. lang. deficit
Average postcode behavior	0.063***	0.041***	0.084***	0.077***	0.164***	0.081**
score	(0.018)	(0.016)	(0.032)	(0.024)	(0.044)	(0.032)
Int. behavior score	-0.037***	-0.023***	-0.030***	-0.028***	-0.386***	-0.161*
	(0.006)	(0.005)	(0.011)	(0.010)	(0.112)	(0.087)
Average postcode PPVT	0.027*	0.044***	0.022	0.026	0.008	0.078**
	(0.016)	(0.013)	(0.026)	(0.023)	(0.047)	(0.034)
PPVT score	-0.050***	-0.077***	-0.072***	-0.087***	-0.045	-0.155***
	(0.006)	(0.005)	(0.010)	(0.010)	(0.067)	(0.052)
N	5258	5254	2020	2020	5215	5211

Notes: All columns control for children's gender, cohort, and age in months, household socioeconomic status (SES) index. Columns (1) and (2) report marginal effects of logistic probability model estimates. Columns (3) and (4) report the linear probability regression with added controls for the sleeping problem intensity, age of the youngest in the group, age of the oldest in the group, whether the child attends daycare, the behaviour of parents and siblings during the test, month of the interview. SE clustered at the postcode level. Columns (5) and (6) report linear probability model TSLS estimates adjusted for the measurement error in children's development. Instruments for focus during cogn. test: positive and negative behaviour during the interview. Instrument for PPVT: WAI. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%

4.1 Teachers' quality and deficit recognition

It is important to understand what factors can help decrease the bias in teachers' evaluations. An extensive literature concerned with the role of teachers' quality for students' outcomes explores the role that teachers' experience and education play in determining students' progress (Chetty, Friedman, Hilger, Saez, Schanzenbach, and Yagan, 2011,Goldhaber and Brewer, 2000, Hanushek, 2011). I explore whether teachers' quality as measured by education or experience helps teachers correctly identify students with developmental deficits. If more qualified teachers are better able to correctly identify children with developmental deficits, then the teachers' qualifications will be positively associated with the probability that the teacher indicates deficits for the subsample of children with delays.

Table 3 presents the estimates of Equation (4) with two modifications. First, Equation (4) is estimated separately on the subsamples of children with and without developmental deficits. I split the sample into low-development and high-development subsamples based on the objective interview development measures. The low-development subsample includes children with measured development levels below the median, and the high-development subsample includes children with measured development levels above the median. Second, teachers' levels of education and years of experience in the childcare setting are added as factors that can affect the recognition of deficits.[17]

For a subsample of children with developmental deficits in both socio-emotional and language dimensions, teachers with bachelor's or postgraduate degrees are more likely to correctly recognize delays in development compared to teachers with diplomas or certificates in early childhood education. As can be expected, this relationship is not evident for children without delays, where more extensive training should not increase the likelihood of deficit recognition. Importantly, teachers' experience in the childcare setting does not improve the accuracy of deficit recognition.[18] This can be explained by teachers persistently sorting into low-development or high-development areas. In that case, working extra years does not expand the teacher's ref-

[17]See Appendix A.6 for the summary of teachers' qualifications.

[18]The estimation which uses intervals to measure teachers' experience or different definitions for children with low socio-emotional development yields similar results (see Appendix C).

Table 3: Teachers' quality and deficit recognition

	Emotional deficit		Recept. lang. deficit	
	(1)	(2)	(3)	(4)
	Int behavior low	Int behavior high	PPVT low	PPVT high
Teacher bachelor	0.059***	0.014	0.058***	0.010
	(0.019)	(0.017)	(0.016)	(0.013)
Teacher postgrad	0.058**	0.028	0.063***	-0.002
	(0.025)	(0.023)	(0.024)	(0.017)
Teaching experience	0.000	0.000	0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)
Int. behavior score	-0.043***	0.015	-0.047***	-0.015*
	(0.010)	(0.024)	(0.009)	(0.008)
Average postcode behavior	0.065**	0.055**	0.074***	0.022
score	(0.026)	(0.027)	(0.025)	(0.019)
PPVT score	-0.064***	-0.040***	-0.120***	-0.045***
	(0.010)	(0.009)	(0.014)	(0.010)
Average postcode PPVT	0.047**	0.005	0.048**	0.034*
	(0.021)	(0.022)	(0.022)	(0.018)
N	2510	2436	2543	2400

Notes: Linear probability regression for high-development (measured development higher than the median) and low-development (measured development lower than the median) samples. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%.

erence group to include children with different levels of skills. In contrast, being exposed to university training can improve the ability of teachers to correctly identify children with delays even in neighbourhoods with low average child development levels. Teachers with a bachelor's or postgraduate university degree are 6 percentage points more likely to correctly identify deficits in children's socio-emotional and receptive language development compared to teachers with diplomas or certificates [19]

Teachers' professional judgement plays a critical role in facilitating children's learning. For example, the Early Years Learning Framework published by the Australian Government Department of Education emphasizes the fundamental role that teachers' assessments play in the effective planning of children's learning, communicating about children's progress, determining the extent to which all children are progressing toward their learning outcomes, and identifying children who need additional support (Australian Government Department of Education, 2009). The bias in teachers' evaluations is likely to distort all of these processes, generating a cascading effect on parental perceptions and children's learning environments. In the next sections, I shed light on this cascading effect of teachers' misperceptions by showing, first, that teachers' perceptions of child development affect parental perceptions, and, second, that the judgement of parents and teachers about child development alters children's learning environments.

5 The influence of teachers' perceptions on mothers

Teachers are often a key source of information for parents trying to monitor their children's progress. This section investigates whether biased teachers' perceptions about child development are likely to be transmitted to parents. To explore the connection between teachers' and mothers' perceptions I utilize the measures of mothers' and teachers' perceptions of child socio-emotional development, as well as objective measures of child development available for ages 4-5 and 8-9.

[19] Table 3 suggests that the interview behaviour score does not predict the teachers' deficit identification for children with high levels of socio-emotional development. That is due to the nature of the interview behaviour measures which allows distinguishing between children at the lower end of the socio-emotional development (children with evident behavioural and concentration problems), but not at the higher end.

I estimate a linear probability regression where the dependent variable is equal to one if the mother has indicated her child to be more difficult than other children of similar age (M_{it}).

$$P(M_{it} = 1) = \beta^{MD} D^I_{it} + \beta^{MT} T_{it} + \gamma^{MX} X^M_{it} + \epsilon_i, \tag{5}$$

where X^M_i - is a vector of controls including children's gender, cohort, age in months, the index for the socioeconomic status (SES) of the household, and mothers' depression levels. T_{it} is a measure of teachers' identification of children's developmental delays.

Columns (1) and (2) in Table 4 show the relationship between mothers' deficit recognition and teachers' perceptions when children are aged 4-5. The measure of teachers' perceptions is teachers' socio-emotional or receptive language deficit recognition analyzed in Section 4. Mothers of children whose teachers indicate developmental delays in the socio-emotional dimension are indeed more likely to think that their children have socio-emotional delays. Column (2) additionally controls for the lag of maternal perceptions. The lag of maternal perceptions accounts for persistent elements of unobserved heterogeneity in perceptions that can be correlated with factors affecting the transmission of teachers' perceptions represented by Θ^M_{it} in Equation (3). This can be driven by different valuations of skills, over-optimism, lack of involvement, etc. If teachers indicate socio-emotional delays in children's development, mothers are 8 percentage points more likely to also indicate that their children are delayed in development. However, this association does not necessarily imply that teachers' perceptions transfer to parental perceptions about children's socio-emotional development since mothers' and teachers' perceptions about children's development are likely to affect each other. For example, mothers of children diagnosed with ASD or ADHD can contact teachers to inform them about the developmental needs of their children.[20]

To address the reverse causality problem, I take advantage of the LSAC question asking mothers whether, in the last 12 months, the school has contacted them because their child has behaved poorly at school when children are 8-9 years old. This represents a direct information transfer from teachers to parents, which signals delays in children's socio-emotional development. Columns (3) and (4) of Table 4 show that mothers of children aged 8-9 update their beliefs

[20]From columns (1) and (2) it also follows that mothers with more depressive symptoms are more likely to perceive their child to be more difficult than other children, similar to the findings of Del Bono, Kinsler, and Pavan (2020).

Table 4: Mothers' and teachers' perceptions

	Temperament deficit perceived by mother			
	(1)	(2)	(3)	(4)
	Ages 4-5	Ages 4-5	Ages 8-9	Ages 8-9
Teach.: emot deficit	0.096***	0.080***		
	(0.013)	(0.020)		
Teach.: Recept. lang.	0.042***	0.020		
deficit	(0.015)	(0.021)		
School contacted about			0.180***	0.117***
behavior			(0.015)	(0.014)
Mother depression	0.028***	0.021***	0.023***	0.015***
	(0.004)	(0.006)	(0.003)	(0.003)
Int. behavior score	-0.021***	-0.020***	-0.024***	-0.014***
	(0.005)	(0.007)	(0.004)	(0.003)
PPVT score	-0.004	0.002	-0.012***	-0.007**
	(0.004)	(0.006)	(0.004)	(0.003)
Lag mother:temper deficit		0.313***		0.518***
		(0.044)		(0.023)
N	4733	2228	7261	6550

Notes: Linear probability regression. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index, mothers' depression score. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%

about children's socio-emotional delays after being contacted by the school. According to Column (4), which reports estimates controlling for the lag of mothers' perceptions, being contacted by the school in the last 12 months increases the probability that mothers perceive their children to be more difficult than others by 11.7 percentage points.

This section shows that teachers' judgement affects parental perceptions about children's non-cognitive skills. While teachers' evaluations of academic progress are expected to inform parental knowledge (Dizon-Ross, 2019, Doss, Fahle, Loeb, and York, 2019), the role of teachers in parental learning about children's socio-emotional development is less understood. The estimated impact of communication between teachers and parents in the presence of bias in teachers' assessments implies that parental perceptions are affected, and the distortions can be transmitted to child environments through the optimal investment choices by teachers and parents. The next section studies the relationship between socio-emotional deficit recognition in children and investment into skills, educational aspirations and parental attitudes.

6 Teachers' perceptions and child environment

Both families and schools can undertake investments in children who are falling behind. This section investigates to what extent the bias in teachers' recognition of child developmental delays can affect the children's environment through family and school investments. I focus on the neighbourhood- or school-level investment into different types of child therapy, as well as a range of family investments that have been shown to have an important role in child development, including parenting style and attitudes, time investment, and extra cost activities like tutoring (Cunha, Heckman, and Schennach, 2010, Caucutt, Lochner, Mullins, and Park, 2020, Del Boca, Flinn, and Wiswall, 2014, Fiorini and Keane, 2014).

One compensatory mechanism available to schools and families is therapy. I explore the role of deficit recognition in children's participation in two types of therapy: one focused on cognitive skills (learning or speech therapy) and another focused on non-cognitive skills (behavioural or psychological therapy). To understand the role of teachers' perceptions in the uptake of therapy, I estimate the linear probability regression where the dependent variable is equal to one if the child is getting therapy (S_{it}), and the independent variables include the teachers' and maternal

identification of the children's developmental delays (T_{it} and M_{it})

$$P(S_{it} = 1) = \beta^{ST} T_{it} + \beta^{SM} M_{it} + \gamma_t^{SX} X_i^S + \epsilon_{ii}^S, \tag{6}$$

where X_i^S is a vector of controls including children's gender, cohort, age in months, and the index for the socioeconomic status (SES) of the household. The regression also controls for the neighbourhood characteristics that proxy for potential differences in the supply of therapy services. These characteristics are computed based on Census data and include the percentages of children aged 0-4 and 5-9 in the population, percentages of persons with Aboriginal origins, speaking English at home or born in Australia. I control for the neighbourhood's SES using the Index of Relative Socioeconomic Advantage and Disadvantage, which is computed by the Australian Bureau of Statistics.[21] It accounts for a broad range of neighbourhood variables reflecting people's access to material and social resources, and their ability to participate in society (Statistics, 2011).

Columns (1) and (4) of Table 5 show the estimates of Equation (6) for the therapy directed at socio-emotional and receptive language development, respectively. Identification of children's socio-emotional delays by teachers is a key predictor of children taking advantage of both socio-emotional and language-oriented therapy. Teachers' identification of delays in language development is an important predictor of children getting learning support or speech therapy, but not behavioural therapy or psychological assessment. Children whose teachers indicate socio-emotional deficits are almost 7 percentage points more likely to receive behavioural therapy as well as 7 percentage points more likely to receive learning or speech therapy. In addition to the teachers' perceptions, the mothers' identification of children's socio-emotional delays predicts the uptake of both types of therapy, and mothers being concerned about their children's receptive language development is the strongest predictor of the children's use of learning support or speech therapy.

To an important degree, the uptake of therapy services is predicted by the perceptions of teachers and mothers about children's development. Given that teachers underestimate the developmental delays in neighbourhoods with lower levels of development as was shown in Section 4 and that these perceptions are transmitted to parents as was shown in Section 5, this is likely

[21] See the summary of neighbourhood characteristics in Appendix A.3.

Table 5: Deficit recognition by teachers and mothers and child therapy

	Behavioral or psych therapy			Learning or speech therapy		
	(1)	(2)	(3)	(4)	(5)	(6)
Teach.: emot deficit	0.069***	0.067***		0.070***	0.069***	
	(0.012)	(0.012)		(0.018)	(0.018)	
Teach.: Recept. lang.	0.013	0.011		0.145***	0.135***	
deficit	(0.014)	(0.014)		(0.022)	(0.022)	
Moth.:child temperament	0.154***	0.152***		0.104***	0.101***	
deficit	(0.025)	(0.025)		(0.028)	(0.028)	
Moth.: concern receptive	0.058***	0.056***		0.206***	0.200***	
lang	(0.019)	(0.019)		(0.031)	(0.030)	
PPVT score		-0.001	-0.009**		-0.019***	-0.041***
		(0.003)	(0.004)		(0.006)	(0.007)
Int. behavior score		-0.009**	-0.017***		-0.004	-0.019***
		(0.004)	(0.004)		(0.006)	(0.007)
Average postcode behavior		0.017*	0.025**		-0.040**	-0.026
score		(0.010)	(0.010)		(0.017)	(0.018)
Average postcode PPVT		-0.003	-0.001		0.035*	0.040**
		(0.009)	(0.009)		(0.019)	(0.020)
N	4104	4104	4104	4104	4104	4104

Notes: Linear probability regression. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index, and neighbourhood characteristics from Census. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%

to cause an underinvestment in children with developmental delays in neighbourhoods with low levels of development.

There are several channels through which the average level of child development in the neighbourhood can be related to the uptake of therapy services. First, in neighbourhoods with high child development levels, the reference bias in teachers' and mothers' perceptions increases the likelihood that teachers and mothers perceive the child to have deficits, resulting in an increased demand for therapy. The reference bias in teachers' perceptions generates a positive association between the average level of child development in the neighbourhood and the uptake of the therapy. Second, even though I control for key neighbourhood characteristics potentially related to the available educational opportunities, differences in therapy uptake can be driven by unobserved differences in the supply of educational and developmental services across neighbourhoods. In this case, the availability of child development resources increases both the average level of child development and the uptake of the therapy through the increased supply, generating a positive association between the average level of neighbourhood development and the uptake of the therapy. Finally, neighbourhoods with high levels of socio-emotional and receptive language development might also succeed in securing other dimensions of children's well-being that matter for the therapy uptake but are omitted from the regression, for example, expressive language skills. In that case, there will be a lower demand for therapy in neighbourhoods with high levels of measured development and a negative association between the therapy uptake and average development levels.

Under the linearity assumption in Equations (4), (5), and (6), I can examine the contribution of the reference bias in perceptions to the uptake of the therapy. Columns (3) and (6) of Table 5 report the estimates of the linear probability regression of the therapy uptake on interview measures of child development, the average level of neighbourhood socio-emotional and receptive language development, and the set of controls X_{it}^{S}. The estimated effect of the average neighbourhood socio-emotional development on the uptake of the therapy reported in columns (3) and (6) is the net effect from potentially all the demand-side and supply-side mechanisms described above. There is a positive net relationship between the average level of socio-emotional development in the neighbourhood and the probability of receiving behavioural therapy. In contrast,

there is a negative net relationship between the average level of socio-emotional development and the probability of receiving learning therapy.

Columns (2) and (5) control for the measures of teachers' and mothers' perceptions in addition to the variables included in Columns (3) and (6). Therefore, the estimated effect of the average neighbourhood socio-emotional development on the uptake of the therapy reported in Column (2) includes all effects estimated in Column (3) except for the effect of the reference bias in teachers' and mothers' assessments. The decrease in the coefficient of the average level of socio-emotional development between Columns (3) and (2) and Columns (6) and (5) indicates that there is some role for the reference bias in the uptake of the therapy. While these results are not conclusive and should be interpreted with care, they are consistent with residents of neighbourhoods with high average child development levels having higher developmental expectations for their children and, therefore, requesting more professional help.

In addition to the uptake of therapy services, mothers who perceive their children to be falling behind are likely to undertake different parental investment strategies. I explore the relationship between mothers' perceptions about children's socio-emotional delays when children are aged 8-9, and a wide range of family investments including parenting style, frequency of household members engaging in development-promoting activities like reading to or with the child, drawing and playing, parental expectations about children's future, and tutoring.

To understand the role of mothers' perceptions for family investments, I estimate a linear regression where the dependent variable is equal to various measures of family-based investment when children are ages 8-9 (I_{it}^F), and the independent variables include the mothers' identification of the children's socio-emotional developmental delays ($M_{i,t}$)

$$I_{i,t}^F = \beta^{F,M} M_{it} + \beta_t^{F,X} X_{it}^F + \beta^{F,M'} M_{it-1} + \beta^{F,I} I_{i,t-1}^F + \epsilon_{i,t}^F, \tag{7}$$

where X_{it}^F is a vector of controls including children's gender, cohort, age in months, and the index for the socioeconomic status (SES) of the household. Control variables also include mothers' depressive symptoms score and neighbourhood characteristics. The standard errors are clustered at the postcode level. I additionally control for the lagged values (measured two years before) of mothers' perceptions M_{it-1} and lagged values of investments I_{it-1} to account for the role of idiosyncratic (mis)perceptions and preferences.

Table 6: Deficit recognition by parents and family investments for children ages 8-9

	Mother: child more difficult			
Dependent variable:	Coef.	SE	N	R2
Mother Warmth	-0.228***	(0.033)	6584	0.41
Mother Anger	0.616***	(0.049)	6582	0.42
Tutor per week	0.105***	(0.033)	3570	0.09
Expected educ: college and higher	-0.094***	(0.023)	6186	0.36
Talk about school	-0.043	(0.059)	6586	0.09
Read to child	0.092	(0.118)	6621	0.15
Play outside	0.060	(0.103)	6621	0.09
Tell story	0.026	(0.113)	3690	0.13
Music	-0.233	(0.143)	3690	0.13
Play with toys	-0.134	(0.111)	3690	0.08
Draw a picture	0.090	(0.090)	3690	0.11
Mom time	1.634	(1.725)	2460	0.07
Dad time	-1.463	(0.929)	2082	0.10

Notes: Linear regression. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index, neighbourhood characteristics from the Census, mothers' depression score, lag of mother deficit recognition, lag of the dependent variable. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%.

Table 6 shows the estimates of Equation (7). There are two noticeable types of effects of deficit recognition. On the one hand, deficit recognition is associated with more compensatory investment in tutoring for the child similar to the findings of Kinsler and Pavan (2021). Combined with the increased use of therapy services, this implies that parents who identify deficits in children are more likely to reach out for professional help for their children. On the other hand, mothers who recognize children's socio-emotional deficits have different attitudes toward their children. They report using less warm and more angry parenting practices. Given that warm parenting was found to be important for children's socio-emotional development (Fiorini and Keane, 2014, Falk, Kosse, Pinger, Schildberg-Hörisch, and Deckers, 2021), this can have

a detrimental effect on the child by reinforcing the existing deficits. In addition to the change in parenting, mothers report having lower aspirations about their children's future education. Mothers who think that their children have a temperament deficit are 9.4 percentage points less likely to expect that their children will obtain a univeristy education. [22] Appendix B explores the role of deficit recognition by teachers in children's development trajectories. This analysis suggests that the effect of deficit recognition on child development is positive, however, the results should be interpreted with caution.

I have shown that teachers' perceptions suffer from the reference bias, with teachers' evaluations affected by the average development levels of other children in the neighbourhood. This leads to the underestimation of developmental delays in children in areas with low average levels of child development and the overestimation of delays in areas with high average levels of child development. Through the communication of schools with parents, teachers' perceptions are transferred to mothers, and jointly parental and teachers' perceptions change children's learning environments in ways that are not fully consistent with children's true levels of development.

7 Conclusions

In this paper, I explore the effect of the local environment on teachers' and mothers' perceptions of developmental delays in children. Using the data from direct behaviour observations collected by LSAC interviewers, I document that teachers in neighbourhoods where misbehaving children are more dominant are less likely to recognize developmental deficits in both non-cognitive and cognitive skills. This implies that the estimates of inequality in non-cognitive or cognitive skills based on teachers' evaluations significantly underestimate the true gaps in child development.

[22] The estimates reported in Table 6 may suffer from the reverse causality problem. Appendix E shows the estimates with the potentially endogenous mothers' perceptions instrumented by the indicator for being contacted by the school in the last 12 months. The effects of the perceptions on the mothers' anger and educational aspirations remain statistically significant, while the effect of perceptions on tutoring remains consistent in magnitude and sign, but becomes imprecisely estimated.

I show that these misperceptions matter beyond obtaining the correct statistics. Children whose teachers and parents do not recognize their delays in development are less likely to receive professional help like behavioural or learning therapy, or tutoring, and experience different parental attitudes. On the other hand, overestimation of delays in advantaged neighbourhoods is associated with lower educational aspirations and poor parenting choices.

An important direction for future research is exploring various ways to improve the recognition of deficits by teachers and families. To address the bias in the assessment of academic skills, educational authorities in many countries are conducting standardized nationwide testing of numeracy and literacy, for example, the National Assessment of Educational Progress in the U.S. or the National Assessment Program – Literacy and Numeracy in Australia. These programs provide both parents and schools with an opportunity to learn about a less biased measure of children's true positions in the distribution of cognitive skills for similar-aged children. However, they are expensive and have been shown to not provide equal opportunities to minority students. Standardized assessments of non-cognitive skills are likely to be costly for both governments and students.

A more efficient approach may be providing training to teachers. I show that teachers' education is associated with improved deficit recognition. Providing psychologist-regulated training allowed interviewers in the LSAC study to collect measures of behaviour for a population of children. Similarly, providing better information about developmental milestones and details of skill accumulation at every childhood stage may allow teachers to assess their students more objectively. In a similar vein, asking teachers to evaluate students based on direct observations and using clear assessment guidelines and objective scales may ameliorate the reference bias in the teachers' assessments.

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A Additional data description

A.1 Measures of child development and perceptions

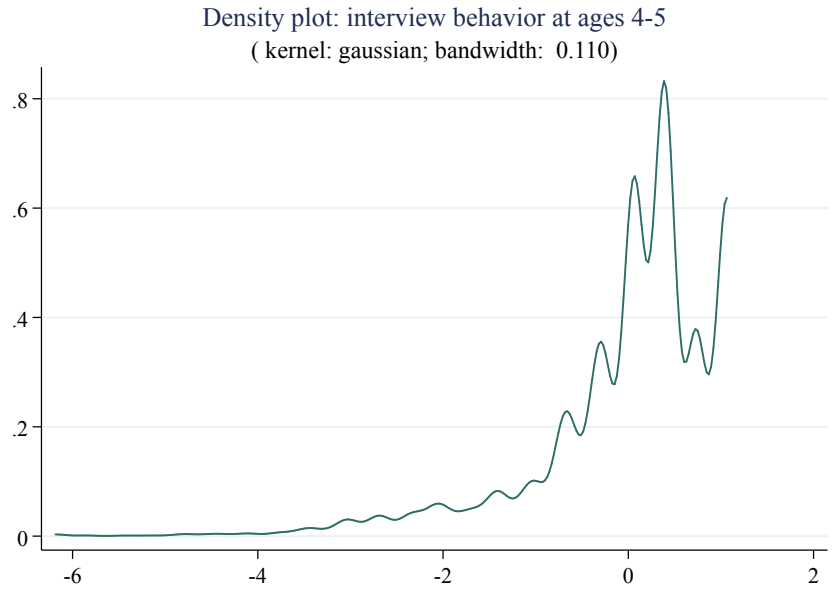

Figure A.1: Distribution of interview behaviour score at ages 4-5

Table A.1: Measures of children's development and perceptions about children by their age

	Ages 4-5			Ages 8-9		
	N	Mean	SD	N	Mean	SD
Teacher: Low receptive language	6598	0.15	0.36			
Teacher: Low emotional skills	6604	0.21	0.41			
Mother: Child more difficult than other	7144	0.07	0.25	7788	0.07	0.26
Mother: concern about receptive lang	9365	0.08	0.27			
PPVT score	8672	64.70	6.16	8288	78.72	4.91
WAI score	9077	64.70	8.33			
Int. behavior score	9189	-0.00	1.00	8252	-0.00	1.00
Average postcode PPVT	8015	-0.01	0.38	5911	-0.02	0.38
Average postcode behavior score	8015	-0.00	0.30	5911	0.00	0.35
School contacted about behavior				8304	0.11	0.31

A.2 Measures of background variables

Table A.2: Background variables by children's age

	Ages 4-5			Ages 8-9		
	N	Mean	SD	N	Mean	SD
Child behav. therapy or psych. assessment	9002	0.04	0.21			
Child speech or learning therapy	9002	0.14	0.35			
Share of Kindergarten cohort	9370	0.47	0.50	8417	0.49	0.50
Female child	9370	0.49	0.50	8417	0.49	0.50
Age in months	9370	57.25	2.77	8417	106.10	3.35
Index of SES	9333	0.00	1.00	8349	0.00	1.00
Mother depression	7914	-0.00	1.00	7733	0.00	1.00

A.3 Neighbourhood characteristics

This section provides an additional summary of variables used throughout the analysis. Table A.3 summarizes the neighbourhood characteristics computed by the LSAC. They are based on the statistics from the Census and matched to the data based on the household location. The Index of Neighbourhood Relative Advantage and Disadvantage is computed by the Australian Bureau of Statistics and represents a weighted average of multiple characteristics related to income, employment, education and housing (see Statistics, 2011 for the details of construction). I normalize it by the age group. I additionally control for the age composition of the population and characteristics related to the ethnic or language composition of the population since these variables were not included in the index construction, but can be related to the availability of child development services and language development in the neighbourhood.

Table A.3: Summary of neighbourhood characteristics based on the Census

	Ages 4-5			Ages 8-9		
	N	Mean	SD	N	Mean	SD
Share population age 0-4	9370	6.68	1.37	8416	5.50	1.67
Share population age 5-9	9370	7.12	1.53	8416	4.18	3.18
Index of Neighbourhood Relative Advantage and Disadvantage	9370	0.01	1.00	8409	0.00	1.00
Share population Aboriginal	9370	2.20	3.99	8416	2.33	5.07
Share population English - first language	9370	87.03	13.05	8416	83.93	15.03
Share population born in Australia	9370	86.87	12.41	8416	86.57	14.04

A.4 Family investments

Table A.4 summarizes the family investment measured when children are ages 8-9. Measures of family investment used in the analysis describe parenting, household members' weekly activities with children, the total time mothers and fathers spend with children, and mothers' expectations about children's future educational attainment.

The measures of mothers' parenting include warmth and anger or hostility dimensions. Both measures use the scores constructed by LSAC. The maternal warmth score represents the average for a battery of questions self-reported by mothers measuring the extent to which mothers display warm, affectionate behaviour towards the child. Similarly, the maternal anger score represents the average for a battery of questions measuring the extent to which maternal interactions with children involve disapproval, anger, and the lack of praise. The parenting measures are age-standardized.

The measure of the frequency of tutoring allows mothers' to choose between several categories, including no tutoring, less than once a week, once a week, and more than once a week. I set the weekly number of tutoring sessions to zero if mothers report no tutoring, to 0.5 if mothers report that children meet with a tutor less than once a week, to 1 if mothers report that children have weekly tutoring sessions, and to 1.5 if mothers report that children meet with a tutor more than once a week. On average, children have 0.16 weekly tutoring sessions when they are 8-9 years old.

Mothers' educational aspirations for their children are recovered from the question "Looking ahead, how far do you think study child will go in his/her education?". I create a binary variable equal to one if mothers expect that their child will obtain a university degree or postgraduate qualifications at a university. Almost 70 percent of mothers expect their children to obtain a college degree.

Several variables summarize the frequency with which members of the household engage in educational activities with the child. Mothers are asked to report whether members of the household have engaged in several activities with the child over the past week, including reading, drawing pictures, playing music, singing songs, dancing or doing other musical activities, playing

with toys or games indoors, playing outdoors, and telling a story. I transform categorical answers to the weekly frequency as follows: zero if mothers choose ”Not in the past week”, 1.5 times for ”1 or 2 days”, 4 times for ”3-5 days”, and 6.5 times for ”6-7 days”. On average, household members read to their children 2.18 times per week and played outdoors 2.43 times per week. The least frequent activity is drawing with the child, which household members did 1.12 times per week. Mothers reported spending, on average, 26 hours per week actively doing things with their children, while fathers reported spending only 12 hours[23].

Table A.4: Summary of family investment measures

	Ages 8-9		
	N	Mean	SD
Mother warmth	7688	-0.00	1.00
Mother anger	7684	-0.00	1.00
Tutor times per week	4058	0.16	0.41
Mother expects child coll+	8095	0.67	0.47
Weekly times talk school	8369	6.70	0.94
Weekly times read	8378	2.18	2.33
Weekly times play outdoors	8378	2.43	1.95
Weekly times tell story	4048	1.49	1.72
Weekly time music	4048	2.31	2.04
Weekly times play	4048	1.46	1.64
Weekly times draw	4048	1.12	1.41
Mother average weekly time with child	8215	26.17	17.69
Father average weekly time with child	5170	11.97	9.77

[23]The exact question asked mothers and fathers ”How much time per week do you spend actively doing things with your children, (for example, playing with them, helping them with personal care, teaching, coaching or actively supervising them, getting them to childcare, school or other activities?”

A.5 Additional controls

Table A.5 describes additional controls used in Columns (3) and (4) or Table 2 to account for potential idiosyncratic shocks to children's development measures when children are 4-5 years old. The sleeping problems score uses age-standardized answers of mothers to the question about the frequency with which children had problems sleeping over the past month evaluated using the Likert scale.

The ages of the oldest and the youngest children in the children's group are retrieved from the teachers' questionnaire. On average, the youngest child was 50 months old and the oldest child was almost 67 months old.

During the PPVT test, the majority or parents remained at a distance from their children or observed them. Around 10 percent of parents have actively encouraged their children. Similarly, the majority of children have performed the test with other children not present in the room or remaining at a distance.

Table A.5: Additional control measures

	Ages 4-5		
	N	Mean	SD
Sleeping problems score	8005	0.00	1.00
Age of youngest child in group	6223	49.13	26.93
Age of oldest child in group	6217	66.67	31.43
Child attends daycare	8907	0.26	0.44
Parent not present	4329	0.12	0.32
Parent at a distance	4329	0.42	0.49
Parent observed	4329	0.35	0.48
Parent encouraged	4329	0.10	0.30
Parent interfered	4329	0.01	0.12
Sibling not present	4329	0.62	0.49
Sibling at a distance	4329	0.22	0.41
Sibling observed	4329	0.14	0.35
Sibling encouraged	4329	0.01	0.11
Sibling interfered	4329	0.01	0.09
Interview January	9370	0.00	0.04
Interview February	9370	0.00	0.01
Interview March	9370	0.06	0.23
Interview April	9370	0.12	0.33
Interview May	9370	0.19	0.39
Interview June	9370	0.17	0.38
Interview July	9370	0.20	0.40
Interview August	9370	0.16	0.37
Interview September	9370	0.06	0.24
Interview October	9370	0.02	0.15
Interview November	9370	0.01	0.11
Interview November	9370	0.00	0.04

A.6 Teachers' characteristics

Table A.6 summarizes teacher's characteristics when children are ages 4-5. 60 percent of teachers have a bachelor's degree, and 20 percent of teachers have a postgraduate degree. When children are ages 4-5, . The average teaching experience is 15.6 years. The majority of teachers have teaching experience exceeding 10 years. Only 5 percent of teachers have 3 or less years of experience.

Table A.6: Teachers' characteristics for children ages 4-5

	Ages 4-5		
	N	Mean	SD
Teacher bachelor	6336	0.48	0.50
Teacher postgrad	6336	0.15	0.36
Teaching experience	6337	14.88	8.75
Teaching experience 0-3 years	9370	0.05	0.22
Teaching experience 4-10 years	9370	0.21	0.40
Teaching experience 11+ years	6337	0.62	0.49

B The role of deficit recognition for child development

An important question is whether teachers recognizing child developmental delays actually improves children's developmental trajectories. On the one hand, higher uptake of therapy and compensatory investments by schools and families might accelerate child development. On the other hand, the recognition of deficits by teachers might have a negative relative rank effect on children, damaging their self-confidence and later outcomes (Ladant, Sestito, and Bargagli-Stoffi, 2023), and the recognition of deficits by parents might alter their parenting and aspirations in ways that are detrimental to the child development (see Section 6).

I estimate a value-added regression of the children's measured development at age 8-9 as a

function of the teachers' deficit recognition at age 4-5 controlling for the children's development level at age 4-5. The dependent variable is the children's interview behaviour score and the children's PPVT score at ages 8-9.

$$S_{i,t+1} = \beta^T T_{i,t} + \beta^S S_{i,t} + \gamma X^S_{i,t} + \epsilon_i,$$

where control variables include children's gender, cohort, and age in months, household socioeconomic status (SES) index, neighbourhood characteristics from Census, and mothers' depression score.

Table B.1 shows the estimates of the value-added regression (B.1). Columns (1) and (3) show the results of the OLS regression. The coefficient in front of teacher deficit recognition is significant and negative. It can be negative because the recognition of deficits by children actually has a detrimental effect on child development, for example, if the associated stigma damages children's self-esteem and motivation to learn. Alternatively, the negative sign can be driven by the unobserved heterogeneity with teachers deciding that the child has developmental delays due to unobserved negative factors related to the children's development or family environment that affect both the teachers' evaluations and the children's future outcomes.

Columns (2) and (4) of Table B.1 address the endogeneity issue by instrumenting for the deficit recognition by teachers with the average neighbourhood child development levels. It can be seen that addressing the endogeneity problem makes the estimated coefficient in front of the deficit recognition by teachers positive. This implies that the role of unobserved factors in affecting both teachers' deficit recognition and child development is strong. Teachers' deficit recognition seems to be advantageous and particularly important for the development of socio-emotional skills.

These estimates should be taken with some scrutiny since without the additional information about the peer formation process, positive peer effects of being surrounded by children with better skill levels might confound the estimates reported in Columns (2) and (4).

Table B.1: Teachers' perceptions and child development

	Behavior during int. at 8-9		PPVT at 8-9	
	(1)	(2)	(3)	(4)
	OLS	IV	OLS	IV
	b/se	b/se	b/se	b/se
Behavior during int	0.09***	0.20***	0.02	0.06*
	(0.02)	(0.05)	(0.01)	(0.04)
PPVT	0.04**	0.20***	0.39***	0.44***
	(0.02)	(0.07)	(0.01)	(0.06)
Teach: emot or lang	-0.08**	1.99**	-0.13***	0.72
deficit	(0.04)	(0.89)	(0.03)	(0.70)
N	5448	4610	5466	4625
F stat.		9.00		8.62

Notes: Columns (1) and (3) report OLS estimates. Columns (2) and (4) report TSLS estimates: teacher-identified deficit instrumented by postcode average development levels. Control: control variables include children's gender, cohort, and age in months, household socioeconomic status (SES) index, and neighbourhood characteristics from Census. Significance levels: *** 1% ** 5% * 10%

C Teachers' quality and deficit recognition in children

This section performs the sensitivity analysis for the estimated role of teachers' qualifications in the recognition of developmental deficits in children. Column (1) reports the estimates of a regression similar to the one reported in Column (1) of Table 3, but for the subsample of children in the first quartile of interview behaviour scores. The role of teachers' experience for deficit recognition remains insignificant. Column (2) reports the estimates for a subsample of children with the interview measure of socio-emotional development below the median, similarly to Column (1) of Table 3. Instead of measuring teachers' experience in years, I create indicators for teachers' experience being between 0 and 3 years, between 4 and 10 years, or over 10 years. The estimated coefficients of experience dummies measure the difference in the likelihood of deficit recognition compared to teachers with more than 10 years of experience. The teachers' experience is not a significant predictor of deficit recognition. Finally, Column (3) reports the estimates for children who have demonstrated negative behaviour or the lack of focus during the interview (see Figure 1). The role of teachers' experience for deficit recognition remains very limited, while the role of education remains significant and robust to how I define the subsample of children with socio-emotional deficits.

Table C.1: Teachers' qualifications and socio-emotional deficits recognition in children with deficits

	(1)	(2)	(3)
	Int behavior first qrt	Int behavior low	Negative/unfocused
	b/se	b/se	b/se
Average postcode behavior	0.027	0.066**	0.026
during int	(0.044)	(0.026)	(0.034)
PPVT	-0.079***	-0.064***	-0.072***
	(0.015)	(0.010)	(0.013)
Average postcode PPVT	0.059*	0.043**	0.068**
	(0.033)	(0.022)	(0.029)
Teacher bachelor	0.096***	0.062***	0.064***
	(0.028)	(0.019)	(0.024)
Teacher postgrad	0.081**	0.058**	0.061*
	(0.037)	(0.025)	(0.033)
Teaching experience	0.002		
	(0.001)		
Behavior during int		-0.043***	
		(0.010)	
Teaching experience 0-3		-0.026	-0.019
years		(0.030)	(0.040)
Teaching experience 4-10		-0.009	-0.039*
years		(0.019)	(0.024)
N	1287	2528	1768

Notes: Linear probability regression. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index. SE clustered at the postcode level. Column (1) defines children with socio-emotional deficits if the measured interview behaviour score is in the first quartile of interview behaviour scores. Column (2) defines children with socio-emotional deficits if the measured interview behaviour score is below the median of interview behaviour scores. Reference (omitted) group: teachers with 11+ years of experience. Column (3) defines children with socio-emotional deficits if children have shown negative behaviour or were not focused during the cognitive test. Reference (omitted) group: teachers with 11+ years of experience. Significance levels: *** 1% ** 5% * 10%

D Measured development and later outcomes

I test whether interview measures of a children's socio-emotional and cognitive development are significant predictors of child outcomes in the later periods. Better child behaviour during the interview at ages 4-5 is associated with a lower probability of repeating the grade by ages 12-13 and higher scores for the nationwide tests of Grade 9 reading and numeracy.

Table D.2: Interview development measures at age 4-5 and later child outcomes.

	Repeated grade by ages 12-13	Grade 9 Reading	Grade 9 Math
Int. behavior score	-0.010***	4.199***	4.440***
	(0.003)	(0.873)	(0.929)
PPVT score	-0.011***	17.490***	12.168***
	(0.003)	(0.869)	(0.920)
N	6699	5739	5678

Notes: Linear regressions. Control: children's gender, cohort, and age in months, household socioeconomic status (SES) index. SE clustered at the postcode level.

E Addressing reverse causality in mothers' perceptions and investment

This section addresses the potential endogeneity problem in the estimation of the impact of mothers' perceptions about children's developmental deficits on investment choices reported in Table 6. It is plausible that some unobserved shocks resulted in changes to the family investment and contemporaneous updating of mothers' perceptions about their children. For example, a negative shock to the family environment or health not captured by the set of controls can result in more angry parenting toward the child and an increased likelihood of perceiving the child as "difficult". It is also possible that the estimation suffers from a reverse causality problem. For example, more time spent with the child can make mothers increasingly aware of their children's behavioural

deficits.

To address these problems I estimate a TSLS regression of the Equation (7) instrumenting for mothers' deficit recognition with an indicator for being contacted by the school about child behaviour within the last 12 months. Contact from school is likely to be exogenous to the family environment after conditioning on the set of controls and lags of perceptions and investment. It is also a significant predictor of mothers' perceptions as discussed in Subsection 5.

Table E.1 reports the results for parental attitudes and tutoring. It can be seen that the effect of socio-emotional delay recognition by mothers on anger and educational aspirations remains statistically significant. Mothers who recognize non-cognitive delays in their children tend to use more angry parenting practices and have lower educational aspirations for their children. The effect of mothers' deficit recognition on tutoring remains positive but becomes imprecisely estimated.

Table E.1: TSLS estimation of the role of mothers' perceptions for the investment choices

	Warmth	Anger	Tutor	Exp coll+
Mother: child more	0.113	2.152***	0.065	-0.850***
difficult	(0.279)	(0.354)	(0.171)	(0.185)
N	6556	6554	3570	6186
F stat.	77.24	66.49	50.14	65.21

Notes: TSLS regression: mothers' deficit recognition instrumented with indicator: being contacted by school about children's behaviour in the last 12 months. Control: demographic variables, mothers' depression score, neighbourhood characteristics, lag of mother deficit recognition, lag of the dependent variable. SE clustered at the postcode level. Significance levels: *** 1% ** 5% * 10%.

F Robustness to the construction of average neighbourhood development

This section explores the sensitivity of the reference bias estimates to the choice of controls for the SES and details of the construction of the neighbourhood's average child development.

I show that estimates remain consistent if I construct the average for postcodes with a different minimum number of children with measured development per postcode (compared to 10+ measurements used for the baseline estimates), or if I construct the neighbourhood average using only measures of children from the same cohort (similar age, same year), and using the measures for children from both cohorts and all ages adjusted for the cohort and age effect (all ages, all years). A broader measure allows for decreasing the measurement error of the neighbourhood's average development level at the cost of introducing assumptions about the change in the distribution of development levels across time or age.

Columns (1) and (2) present the estimates of the linear probability model specified by Equation (4), including the full set of controls for the family's socio-economic status instead of one index. The control variables include mothers' age, number of siblings, family income, mothers' education, mothers' marital status, whether English is the main language spoken at home, and mothers' employment status in addition to children's cohort, gender, and age in months.

Columns (3) and (4) report the estimates with the postcode average constructed in a similar way as the one that is used for main results (using measures for children of the same age and both cohorts) for postcodes where more than 15 measures are reported. Columns (5) and (6) report the estimates with the postcode average constructed in a similar way as the one that is used for main results (using measures for children of the same age and both cohorts) for postcodes where more than 5 measures are reported. Columns (7) and (8) present estimates received using the average postcode measure constructed for the children of the same age during the same year (same cohort) if more than 5 measures are available in a given postcode. Columns (9) and (10) document the estimates with the postcode average constructed from the measures for all available ages and years after first running a regression of measures on the cohort and age dummies and then using the residuals from this regression to construct the postcode averages are more than

15 measures are available for a given postcode. It can be seen that all of these modifications to the estimation procedure produce estimates corroborating the role of the children's own socio-emotional development and the positive association between the postcode average development level and the probability that teachers recognize children's developmental delays.

Table F.1: Robustness table: bias in teachers' perceptions

	Full SES controls		15+ obs per postcode		5+ obs per postcode		Same age/year		All age/year	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Emot	Rec. lang.	Emot	Rec. lang.	Emot	Rec. lang.	Emot	Rec. lang.	Emot	Rec. lang.
Average postcode PPVT	0.025	0.042***	0.025	0.039**	0.032**	0.043***	0.025*	0.037***	0.037**	0.042**
	(0.016)	(0.014)	(0.018)	(0.016)	(0.016)	(0.014)	(0.013)	(0.011)	(0.017)	(0.016)
PPVT score	-0.052***	-0.082***	-0.052***	-0.082***	-0.051***	-0.080***	-0.052***	-0.080***	-0.051***	-0.080***
	(0.007)	(0.006)	(0.007)	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)
Average postcode behavior	0.066***	0.045***	0.064***	0.050***	0.069***	0.050***	0.034**	0.025**	0.079***	0.037*
score	(0.019)	(0.016)	(0.020)	(0.017)	(0.019)	(0.016)	(0.014)	(0.013)	(0.023)	(0.020)
Int. behavior score	-0.043***	-0.030***	-0.043***	-0.033***	-0.043***	-0.030***	-0.041***	-0.032***	-0.042***	-0.029***
	(0.007)	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)	(0.007)	(0.006)
N	5258	5254	4929	4924	5387	5383	5237	5233	5315	5311

G Measurement error in average neighbourhood development

This section explores the role of the measurement error in children's individual development and in the constructed average neighbourhood development levels. Columns (1) and (4) duplicate the baseline estimates of linear probability regression of teachers' deficit recognition reported in Columns (2) and (4) of Table 1. Columns (2) and (5) duplicate the results reported in Columns (5) and (6) of Table 2. They report the results of a linear TSLS regression with children's focus during the cognitive test instrumented by degrees of negative and positive response, and children's PPVT score instrumented by WAI score. Finally, Columns (3) and (6) report results adjusted for the potential measurement error in both children's individual development measures and in neighbourhood average development measures. In addition to instrumenting for the measures of individual child development, I instrument for the postcode average level of focus during the cognitive test with average degrees of positive and negative response during the interview, and for the postcode average PPVT with the postcode average WAI score. Adjusting for the potential measurement error in neighbourhood development measures further reinforces the positive and significant role of the average postcode behaviour on the probability that the teacher will identify deficits in both socio-emotional and receptive language dimensions of child development.

Table G.1: Teachers' perceptions and average neighbourhood development

	Linear (baseline)		ME in development		ME in child and neighbourhood development	
	(1)	(2)	(3)	(4)	(5)	(6)
	Emotional deficit	Recept. lang. deficit	Emotional deficit	Recept. lang. deficit	Emotional deficit	Recept. lang. deficit
Average postcode PPVT	0.025	0.042***	0.008	0.078**	-0.167	-0.008
	(0.016)	(0.014)	(0.047)	(0.034)	(0.119)	(0.095)
PPVT score	-0.052***	-0.082***	-0.045	-0.155***	-0.103*	-0.197***
	(0.007)	(0.006)	(0.067)	(0.052)	(0.054)	(0.045)
Average postcode behavior	0.066***	0.045***	0.164***	0.081**	0.600***	0.358**
score	(0.019)	(0.016)	(0.044)	(0.032)	(0.220)	(0.172)
Int. behavior score	-0.043***	-0.030***	-0.386***	-0.161*	-0.283***	-0.090
	(0.007)	(0.006)	(0.112)	(0.087)	(0.086)	(0.077)
N	5258	5254	5215	5211	5215	5211